(Free translation from the original in Spanish)

ENERGIA EOLICA S.A.

FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Gaveglio Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada.
Av. Santo Toribio 143, Piso 7, San Isidro, Lima, Perú T: +51 (1) 211 6500, F: +51 (1) 211-6565
www.pwc.pe

(Free translation from the original in Spanish)

ENERGIA EOLICA S.A.

FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

CONTENT

S/ = Peruvian sol
US$ = United States dollar
MW = Megawatt
KW = Kilowatt

(Free translation from the original in Spanish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Energía Eólica S.A.

March 31, 2022

We have audited the accompanying financial statements of **Energía Eólica S.A.**, a subsidiary of ContourGlobal LP, ultimate Parent Company, which comprise the statements of financial position at December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other accompanying explanatory notes from 1 to 23.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of Institutes of Peruvian Certified Public Accountants ("Junta de Decanos de Colegios de Contadores Públicos de Perú"). Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of **Energía Eólica S.A.** at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

GAVEGLIO APARICIO Y ASOCIADOS

Refrendado por

--(socio)
Rafael Ferrer Tafur
Contador Público Colegiado Certificado
Matrícula No.01-023720

(Free translation from the original in Spanish)

ENERGIA EOLICA S.A.

STATEMENT OF FINANCIAL POSITION
(IN U.S. DOLLARS)

ASSETS

	Note	At December 31, 2021 US$	2020 US$
Current assets			
Cash and cash equivalents	5	2,803,941	316,422
Trade receivables	6	7,492,253	11,017,979
Other receivables	7	6,466,858	5,346,722
Other receivables from related parties	8	56,056	61,733
Prepaid expenses		102,963	68,285
Total current assets		16,922,071	16,811,141
Non-current assets			
Other accounts receivable from related parties	8	63,867,489	53,922,679
Property, plant and equipment	9	151,854,306	164,835,414
Intangible assets		40,731	50,778
Total non-current assets		215,762,526	218,808,871
TOTAL ASSETS		232,684,597	235,620,012

LIABILITIES AND EQUITY

	Note	At December 31, 2021 US$	2020 US$
Current liabilities			
Borrowings and interest payable	10	7,656,576	7,079,223
Trade accounts payable and accruals	11	2,642,904	2,769,943
Other accounts payable to related parties	8	-	9,683
Other current liabilities		871,587	2,070,509
Current Portion of lease liability	12	212,270	363,151
Total current liabilities		11,383,337	12,292,509
Non-current liabilities			
Borrowings and interest payable - non current	10	153,834,438	161,131,792
Lease liability	12	3,615,858	3,761,976
Decommisioning provision	13	4,163,766	6,057,922
Deferred income tax liability	14	13,697,394	10,889,481
Total non-current liabilities		175,311,456	181,841,171
Equity			
Share capital	15	46,277,512	46,277,512
Accumulated losses	15	(287,708)	(4,791,180)
Total equity		45,989,804	41,486,332
TOTAL LIABILITIES AND EQUITY		232,684,597	235,620,012

The accompanyng notes from pages 7 to 33 are part of the financial statements.

(Free translation from the original in Spanish)

ENERGIA EOLICA S.A.

STATEMENT OF COMPREHENSIVE INCOME
(IN U.S. DOLLARS)

	Note	For the year ended December 31, 2021 US$	2020 US$
Operating income:			
Revenues from energy sales	17	37,709,178	44,495,198
Operating costs	18	(19,002,749)	(19,390,446)
Gross profit		18,706,429	25,104,752
Operative expenses:			
Administrative expenses	19	(2,180,922)	(2,371,518)
Operative profit		16,525,507	22,733,234
Other income (expenses), net			
Financial expenses	20	(11,575,536)	(11,973,878)
Financial income	21	2,945,460	2,553,899
Other expenses	9	-	(1,615,017)
Exchange differences, net	4.1-a)	(398,495)	(887,691)
Profit before income tax		7,496,936	10,810,547
Income tax	16	(2,993,464)	(4,543,825)
Profit and other comprenhensive income		4,503,472	6,266,722

The accompanyng notes from pages 7 to 33 are part of the financial statements.

(Free translation from the original in Spanish)

ENERGIA EOLICA S.A.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(IN U.S. DOLLARS)

	Share capital US$	Accumulated losses US$	Total equity US$
Balances at January 1, 2020	46,277,512	(11,057,902)	35,219,610
Profit for the year and other comprehensive income	-	6,266,722	6,266,722
Balances at December 31, 2020	46,277,512	(4,791,180)	41,486,332
Balances at January 1, 2021	46,277,512	(4,791,180)	41,486,332
Profit for the year and other comprehensive income	-	4,503,472	4,503,472
Balances at December 31, 2021	46,277,512	(287,708)	45,989,804

The accompanyng notes from pages 7 to 33 are part of the financial statements.

(Free translation from the original in Spanish)

ENERGIA EOLICA S.A.

STATEMENT OF CASH FLOWS
(IN U.S. DOLLARS)

	Note	For the year ended December 31, 2021 US$	2020 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		4,503,472	6,266,722
Reconciliation of profit for the year with net cash by operating activities:			
Depreciation	9	12,028,243	11,880,902
Amortization	19	10,047	9,846
Disposal of fixed assets	9	-	1,615,017
Deferred income tax	14	2,807,913	3,869,407
Unwinding of the discounts - decommissioning	20	299,613	292,944
Unwinding of the discounts - financial leasing	20	208,214	233,231
Amortization of transaction costs	20	655,158	683,356
Interest on financial obligations accrued	20	10,218,317	10,629,634
Interest of related parties	8	(2,944,810)	(2,528,662)
Net changes in assets and liabilities:			
Trade receivables		3,525,726	(4,815,962)
Other receivables		(1,120,136)	(1,051,617)
Receivable from related parties		5,677	5,714
Prepaid expenses		(34,678)	113,467
Trade accounts payable and accruals		(127,039)	397,220
Other accounts payable to related parties		(9,683)	(76,223)
Other current liabilities		(1,198,922)	(1,476,610)
Decommissioning provision		(596,144)	(4,735)
Net cash generated from operating activities		28,230,968	26,043,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(684,401)	(3,280,840)
Purchase of Intangible assets		-	(3,802)
Loans granted to related parties	8	(7,000,000)	(7,400,000)
Net cash applied to investing activities		(7,684,401)	(10,684,642)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of the principal of bonds	10	(7,359,214)	(6,329,174)
Interest payments on borrowings	10	(10,234,262)	(10,643,348)
Payments of financial leases		(465,572)	(462,041)
Net cash applied to financing activities		(18,059,048)	(17,434,563)
Net increase (decrease) in cash and cash equivalents		2,487,519	(2,075,554)
Cash and cash equivalents at beginning of the year		316,422	2,391,976
Cash and cash equivalents at end of the year		2,803,941	316,422
Non-cash transactions:			
Right-of-use asset	9	(39,641)	691,823
Decommissioning update	9	(1,597,625)	1,632,107

The accompanyng notes from pages 7 to 33 are part of the financial statements.

1 GENERAL INFORMATION

a) General Information -

Energía Eólica S.A. (hereinafter, the Company) was established on September 10, 2007 in Lima, Peru. Its legal address, where its administrative office is located, is Av. Ricardo Palma 341 - 3rd. floor, Miraflores, Lima. The Company is a direct subsidiary of ContourGlobal Latam S.A. (domiciled in Colombia), which holds 99.99% interest and is an indirect subsidiary of ContourGlobal LP (Cayman Islands exempted entity).

b) Business activity -

The Company's business consists in developing, building and operating power generating wind farms for the Peruvian national grid. The Company was awarded with two 20-years Supply Concession Agreements secured at the Peruvian Government's bid called on February 12, 2010.

On August 30, 2014 the Company started trade operation upon conclusion of the construction of 114 MW wind farms located in the northern shore of Peru; Talara site with 30.9 MW located nearby the city of Piura, and Cupisnique site located nearby the city of Trujillo with 83.1 MW.

c) Legal stability agreement -

On September 22, 2014 the Company entered into a legal stability agreement with the Peruvian Government for a period of ten years. Under this agreement, the Company agreed to issue shares to ContourGlobal Latam S.A. for US$28,594,403 within a two years period from the date the legal stability agreement with ContourGlobal Latam S.A. was signed on August 18, 2014, amount that should be used by the Company in increase installed capacity; and the Peruvian Government is obliged to guarantee the legal stability of the Company for the entire term of this agreement, under the following terms: (a) Tax stability related to the income tax (30%) and (b) regimes to contract workers (regarding the types of employment contract).

d) Bond Issuing -

On December 15, 2014 the Company issued US$204 million at 6% senior secured green notes due 2034 (the "Inka Notes"). The proceeds of the Inka Notes were used to (i) refinancing existing financial indebtedness under a senior secured credit facility, (ii) payments of US$33.7 million of outstanding affiliate loans and management services payable, (iii) provide a subordinated intercompany loan, (iv) make certain payments under certain contracts of the issuer and (v) provide for the initial funding of certain project accounts. The Inka Notes rank equally in right of payment with all of the Company's existing and future senior debt and senior in right of payment to all of the Company's future subordinated debt. The obligations under the Inka Notes are secured by a pledge of the capital stock of the Company and a first-priority security interest on in all of the Company's existing and future tangible and intangible assets. The notes will be fully amortized in 19 years, commencing on September 18, 2015.

The indenture and related financing documents governing the Inka Notes contain customary covenants, including with respect to additional indebtedness (except allowed debt), liens and restricted payments, and customary terms with respect to redemption and events of default. Customary provisions govern project accounts, provide priority of payments for operations and maintenance, fees and expenses, principal and interest payments, and restricted payments, among other things, as for comparable project debt securities. At December 31, 2021 US$165.8 million of the Inka Notes was outstanding (US$173.1 million at December 31, 2020) (Note 10).

e) Long-term agreements -

At December 31, 2021 and 2020 the Company maintains the following long-term agreements:

- Land lease agreement with “Fuerza Armada” in Talara region for a period of 22 years which started on November 16, 2010. The annual rent payment in 2021 amounts to US$30,600 (US$30,600 in 2020).

- Land lease agreement with “Comunidad de Paijan” in Cupisnique region, for a period of 10 years which started on August 27, 2010. The annual rent payment in 2021 amounts to US$45,763 (US$47,763 in 2020).

- On September 28, 2012 the Company entered into an Operations and Maintenance Agreement (O&M) with Vestas Perú. The Cupisnique and Talara O&M Agreement started September 2015 which is the date on which the Cupisnique and Talara Projects delivered the wind farms by the contractor which expires ten years after the Commercial Operation Date (COD) whereby Vestas Perú is required to provide maintenance and services for each of the Projects. Under the agreements the Company will pay an annual base quota of US$55,825 per wind turbine per year and variable quota factor of US$8.1/MWh, readjusted to the increase according to a formula outlined in the agreement. The annual payments for this agreement in 2021 are for US$3,793,894 (US$3,737,824 in 2020).

- Power transmission agreement - On January 6, 2014 the Company and Red de Energía Perú S.A. (REP) signed the “power transmission agreement” which established the following terms: REP agrees to construct and operate the facilities for the provision of power transmission service to be provided to the Talara wind farm. The Contract term is 18 years starting in September 2014. The payment made to REP is on an annual basis. The annual fee will be adjusted annually as per changes occur in the index of Finished goods less Foods and Energy (WPSSOP3500) and the Company will be paid each monthly one twelfth of the indexed annual fee. An addendum was signed on March 2, 2015, which extended the start-up deadline to April 13, 2015. Payments made in 2021 amounted to a total of US$369,490 without VAT (US$333,495 without VAT in 2020).

f) Covid-19 effect -

A new strain of coronavirus, SARS-CoV-2, which causes the “Covid-19” was first identified in Wuhan, China in December 2019 and subsequently the World Health Organization declared it a pandemic. Due to this situation, the Peruvian Government declared the State of Sanitary Emergency and National State of Emergency since March 2020 throughout the territory of Peru, which is in force until the date of this report. The series of measures and restrictions imposed by the Peruvian Government in response to this situation had a significant negative impact on the country's economy in 2020 and on that of many industries.

The energy sector, considered as an essential activity, was not affected by the restrictions; therefore, it has not stopped its activities. For this reason, the impact of the pandemic has not been significant for the Company.

g) Approval of the financial statements -

The accompanying financial statements for the year ended December 31, 2021 have been issued with the authorization of Management on March 31, 2022 and will be presented for the approval of the Board of Directors and the Shareholders. Management considers that the financial statements for the 2021 will be approved by the Shareholders without modifications.

The financial statements for the year ended December 31, 2020 were approved by the Board of Directors and General Shareholders' Meeting on March 23, 2022 and March 25, 2022, respectively.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation -

i) Compliance with IFRS -

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (hereinafter "IASB"), effective at December 31, 2021, which include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the Interpretations issued by the Interpretation Committee of International Financial Reporting Standards (IFRIC).

ii) Basis of measurement -

The financial statements derive from the accounting books of the Company and are prepared based on the cost convention. The financial statements are expressed in United States dollars, unless otherwise stated.

The information contained and disclosed in these financial statements is responsibility of the Company's management, which expressly states that in preparing them it has applied the principles and criteria contained in the IFRS issued by the International Accounting Standard Board (IASB) effective at December 31, 2021.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas in which assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Standards, amendments and interpretations -

2.2.1 New standards, amendments to standards and interpretations applicable at January 1, 2021 -

The Company has applied for the first time the following standards and amendments to standards for its financial statements beginning January 1, 2021:

- Benchmark Interest Rate Reform - Phase 2 - Amendments to IFRS 9, "Financial Instruments", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 7, "Financial Instruments: Disclosures", IFRS 4, "Insurance Contracts" and IFRS 16, "Leases".
- Amendments to IFRS 4, "Insurance Contracts" - Deferral of IFRS 9.
- Rent concession related to COVID-19 - Amendments to IFRS 16 (since April 2021).

The amendments to standards and interpretations listed previously have not had an impact on the financial statements of previous periods, nor of the current period. In addition, it is not expected to have a relevant impact on the financial statements of future periods.

2.2.2 New standards, amendments and interpretations in force for the financial statements for annual periods beginning on or after January 1, 2022 and that have not been early adopted 2021 -

The standards and interpretations issued to the Company, but not yet effective, at the date of issuance of the financial statements are detailed below. The Company intends to adopt these standards, as applicable, when they become effective:

- Amendments to IFRS 16, "Leases" - COVID-19 Related Rent Concessions. The practical application could originally be applied to rent concessions granted until June 30, 2021. However, this date was later extended to June 30, 2022.

- Amendments to IAS 16, Property, plant and equipment - Proceeds before Intended Use. Effective for annual periods beginning on January 1, 2022. Early application is allowed.

- Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts and the Cost of Fulfilling a Contract. Effective for annual periods beginning on January 1, 2022. Early application is allowed.

- Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards. Effective for annual periods beginning on January 1, 2022. Early application is allowed.

- Annual improvements to IFRS, 2018 - 2020 cycle. Effective for annual periods beginning on January 1, 2022.

- Amendments to IAS 1, Presentation of Financial Statements - Classification of liabilities as current or non-current and on disclosures of accounting policies. Disclosures of material accounting policies are required. Effective for annual periods beginning on January 1, 2023.

- Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates. Effective for annual periods beginning on January 1, 2023.

- Amendments to IAS 12, Income Tax - Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Effective for annual periods beginning on January 1, 2023.

- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. In the process of defining the effective date of these amendments.

No other standards not yet effective have been identified that may have a material impact on the Company in the current or future reporting periods in foreseeable transactions in the future.

2.3 Functional currency and foreign currency transactions -

The financial statements are stated in U.S. dollars, the Company's functional currency. Transactions in other currencies are recorded in U.S. dollars based on exchange rates prevailing at the time of such transactions. Monetary assets and liabilities denominated in other currencies are translated into U.S. dollars at exchange rates prevailing at the balance sheet dates, and any resulting gains or losses are reflected in current earnings.

2.4 Cash and cash equivalents -

Cash and cash equivalents consist of all cash balances and highly liquid investments with original maturities of three months or less. Because of the short maturity of these balances, the carrying amounts approximate their fair value. Restricted cash is excluded from cash and cash equivalents and is included in other current assets or long-term assets depending on restrictions.

2.5 Financial assets -

(i) Classification -

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition -

Purchases or sales of financial assets are recorded on the trading date of the transaction; the date on which the Company undertakes to buy or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(iii) Measurement -

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments -

Subsequent measurement of debt instruments depends on the Company's business model established for management of those assets as well as the cash flow characteristics of the assets. The Company classifies its debt instruments in the following three measurement categories: (i) Amortized cost, (ii) Fair value through other comprehensive income (FVOCI); and (iii) Fair value through profit or loss (FVPL). At December 31, 2021 and 2020 the Company only has financial assets measured at amortized cost.

Amortized cost: Applicable for financial assets held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). Interest arising from these assets are recognized as financial income using the effective interest method. Any gains or losses arising from the disposal of these assets are recognized through profit or loss shown within "Other income (expenses)" along with associated exchange gains or losses (or the associated exchange gains or losses can be shown within "Exchange difference, net"). Impairment losses are shown in a separate item in the statement of income.

(iv) Impairment -

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach established under IFRS 9, which requires the expected credit loss to be estimated for the instrument lifetime and recognize it from initial recognition.

2.6 Offsetting financial instruments -

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.7 Property, plant and equipment -

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition and dismantling of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Disbursements incurred to replace a component of an item or element of property, plant and equipment are capitalized separately, writing-off the carrying amount of the component being replaced. In the event the component replaced has not been considered as a separate component of the asset item, the replacement value of the new component is used to estimate the carrying amount of the assets being replaced.

Assets in the construction stage are carried at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset and borrowings costs related to acquisition of qualifying assets. At their completion, the cost is transferred to the appropriate category of property, plant and equipment. Depreciation of these assets commences when the assets are ready for their intended use.

Property, plant and equipment items are written-off at the date they are sold or when no economic benefits are expected from their further use or sale. Gains and losses on disposals of assets are determined by comparing the proceeds with their carrying amounts. These gains or losses are included in the statement of comprehensive income.

Depreciation -

Land is not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings	20
Operating wind turbines	20
Transmission lines	18
Computer equipment	4
Furniture and fixtures	10
Other equipment	4 and 10
Decommissioning obligation	20

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date. Any changes in these estimates are prospectively adjusted.

2.8 Intangible assets -

The Company's identifiable intangible assets are stated at cost less accumulated amortization and include acquired computer software with finite useful lives of 10 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred. These assets are capitalized and amortized on a straight-line basis.

2.9 Leases -

Company's lease contracts comprise land leases in which the wind farms are located (Note 1-e) and the lease of administrative offices and transmission line leases. Rent contracts are entered into for fixed periods of time, however, there are renewal options as described below.

Leases are recognized as a right-of-use assets and a lease liability at the date the leased asset is ready for use by the Company.

Assets and liabilities arising from a lease contract are initially measured at present value.

The measurement of such assets includes the following:

- The amount of the initial measurement of the lease liability and
- Any lease payments made at or before the commencement date, less any lease incentives received.

Rights-of-use assets are usually depreciated under the straight-line basis over the shorter of the asset's useful life and lease term. If the Company has reasonable certainty that a purchase option will be exercised, the right-of-use asset is depreciated over the useful life of the underlying leased asset.

IFRS 16 provides practical expedients; and therefore, short-term lease payments and low-value leases are recognized under the straight-line method as expenses in profit or loss. Short-term leases are leases of 12 months or less. Low-value assets consists of IT equipment and small office furniture fixtures.

Lease liabilities are stated at the present value of the following payments:

- Fixed payments and
- Variable lease payments that depend on an index or a rate.

Lease payments to be made under renewal options with reasonable certainty to be exercised are also included in the measurement of the liability.

Lease payments are discounted using an interest rate implicit in the lease contract, if determinable, or otherwise the Company's incremental borrowing rate, the rate a lessee would have to pay on borrowings to obtain the required cash to obtain a similar right-of-use asset in a similar economic environment under similar terms and conditions.

In determining the incremental borrowing rate, the Company considers the following criteria:

- To the extent possible, the company uses the rate used on recent financing obtained from third parties as a starting point and adjusts it to reflect changes in circumstances from the date those borrowings were obtained.
- Uses other approaches under which it begins with a risk-free interest rate adjusted for credit risk for leases held by the Company; and
- Applying specific adjustments to the lease, for example, term, country, currency and kind of guarantees.

The Company is exposed to future possible lease variable payments linked to an index or rate, which are not included in the lease liability until they become effective. When index-linked payments come in effect, the lease liability is re-assessed and adjusted to the right-of-use asset.

Each lease payment is allocated between the liability and the finance charges. The finance cost is recognized in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In determining the lease term, Management considers all facts and circumstances that lead the Company to exercise the option to renew or early terminate the lease contract. Renewals options (post-termination extensions) are only included in the terms of the contracts if it is reasonably certain that the lease contract will be extended (or not terminated).

2.10 Impairment of non-financial assets -

The carrying amounts of non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying values are in excess of their recoverable amounts. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and its value in use. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independently from other assets, in which case the review is undertaken at the cash generating unit level.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the statement of comprehensive income to reflect the asset at the lower amount. In assessing recoverable amount for assets, the relevant future cash flows expected to arise from the fair value less cost of disposal have been discounted to their present value using a market-determined post-tax discount rate.

An impairment loss is reversed in the statement of comprehensive income if there is a change in estimates used to determine recoverable amount since the prior impairment loss was recognized. The carrying amount is increased to the recoverable amount but not beyond the carrying amount net of depreciation or amortization which would have arisen if the prior impairment loss had not been recognized. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

At December 31, 2021 and 2020 the Company did not identify evidence that an impairment loss on non-financial assets has been incurred.

2.11 Financial liabilities -

In accordance with IFRS 9, “Financial Instruments” financial liabilities are classified, at its initial recognition, as follows: financial liabilities at fair value through profit or loss, (ii) financial liabilities at amortized cost. The Company determines the classification of financial liabilities on the date of its initial recognition.

The Company classifies its financial liabilities in the category of financial liabilities at amortized cost and are included in the following items if the statement of financial position: “Trade account payable and accruals”, “Other account payable to related parties”; “Other current liabilities, “Lease liabilities” and “Borrowings and interest payable”.

All financial liabilities are initially recognized at fair value net of the costs directly attributable to the transaction; and subsequently, when the time value of money is important, they are measured at amortized cost by the effective interest rate method. The amortized cost incorporates the costs directly attributable to the transaction.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are shown as non-current liabilities.

2.12 Borrowings -

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently recognized at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer payment of the obligation for at least 12 months after the date of the statement of financial position, when is classified as non-current.

2.13 Borrowing costs -

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.14 Provisions -

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. If the time value of money is significant, provisions are discounted using pre-tax rates, which reflect, when appropriate, the liabilities' specific risks. The reversal of the discount due to the passage of time originates the increase of the obligation which is recognized with a charge to the statement of comprehensive income as a finance cost.

Provisions are reviewed periodically and are adjusted to reflect the best estimate available as of the date of the statement of financial position. The expense related to other provisions is presented in the statement of comprehensive income.

2.15 Income tax -

Income tax expense for the period comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the income tax laws enacted in Peru. Management periodically evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using income tax rate (and laws) that has been enacted or substantively enacted by the statement of financial position date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, considering the legal stability agreement (Note 1-c).

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits -

a) Termination benefits -

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

b) Employees' severance indemnities -

Employees' severance indemnities are comprised of indemnities determined under labor laws and regulations, and it is shown net of the deposits, which are made in May and November of each year, in institutions of the financial system at the election of the employees. The employee's severance indemnities are equivalent to half compensation, effective on the date of each deposit, and is recognized on an accrual basis. The Company does not have any obligation to make additional payments once these annual deposits, to which each worker is entitled, are made.

c) Statutory bonuses -

In accordance with labor laws, employees are entitled to two additional monthly salaries per year as annual statutory bonuses. The Company recognizes the expense in statutory bonuses and the related liabilities on an accrual basis. Statutory bonuses are paid in July and December every year.

d) Employees’ vacation leave -

Personnel's annual vacations and other remunerated absences are recognized on the accrual basis. The provision for the estimated obligation for annual vacations and other remunerated employee absences is recognized at the date of the statement of financial position.

2.17 Share capital -

Equity instruments are contracts that give the holder a residual interest in the Company’s net assets. Ordinary shares are classified as equity. Equity instruments are recognized at the amount of proceeds received net of costs directly attributable to the transaction.

2.18 Dividend distribution -

Dividends are recognized as liabilities when they are declared (i.e. the dividends are appropriately authorized and no longer at the discretion of the entity). Typically, dividends are recognized as liabilities in the period in which their distribution is approved at the General Shareholders’ Meeting.

2.19 Revenue recognition -

The Company recognizes revenues based on compliance with performance obligations agreed with the client in order to determine the opportunity and amount in which revenues must be recognized, giving greater importance to the transfer of control than to the transfer of risks and benefits.

Sale of energy -

Sales of energy are recognized when control is transferred, this condition is met when the generated energy is injected into the Peruvian National Grid. Income from the sale of energy is recognized over time as energy injections occur.

Revenue from the sale of energy delivered but not invoiced is recognized in the statement of comprehensive income in the period in which the energy has been delivered.

Interest -

Interest is recognized on the basis of the proportion of time elapsed, using the effective interest method. Interest Premium is recognized based on an accrual basis and corresponds to 12% of the unbilled accounts receivable (Note 6) in accordance with the Law Decree No.28544. As it does not correspond to an interest because of a deferred payment, it is considered as part of revenue.

2.20 Other costs and expenses -

The other costs and expenses are recognized on an accrual basis regardless of when they are paid and, if applicable, in the same period in which the related revenue is recognized.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing its financial statements, the Company has made significant judgments, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Company periodically monitors such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the judgments made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements are addressed below:

3.1 Critical accounting estimates and assumption -

Useful lives of property, plant and equipment -

Both wind farms started commercial operations on August 30, 2014 and therefore triggered the commencement of depreciation. The Company is reasonably applying 20-years useful life for the wind farms, based on the term of Supply Concession Agreement.

Revenue recognition -

Under the terms of the Supply Concession Agreement the Company has committed to provide a minimum volume of energy per year at a price per MW/h, which includes a premium over the spot tariff. The premium is awarded only if the minimum volume of energy is injected to Sistema Eléctrico Interconectado Nacional (SEIN) which is validated annually by Comité de Operación Económica del Sistema Interconectado Nacional (COES SINAC). If the minimum volume of energy is not provided, the Company will only have the right to receive the spot price per MW/h. Additional discounts may apply to the price per MW/h which are related to the volume level of energy injected.

The Company recognized revenue from sales of energy per month of operation at a price which includes the premium over the spot price as it estimates that the annual minimum volume of energy required to be injected to the SEIN will be reached. When the Company estimates that the volume of energy is not going to be achieved, it recognizes a decrease in the provision of revenues in statement of comprehensive income.

The Company uses the same method consistently throughout the duration of the Supply Concession Agreement through a range of 'reasonable number of possible consideration amounts', using all the information that is reasonable available to it, current and forecasted data. The Company updates its estimation on a quarterly basis considering the available data as of the reporting date and any difference is recorded prospectively as follows:

- If the projected volume of energy is expected to fulfill the minimum volume required, the Company continues recording revenues at a price which includes the premium at a monthly basis.

- If the Company does not expect to achieve the minimum volume of energy committed, the Company revises its estimates and adjusts the price of the energy sold.

Decommissioning provision -

Within the conclusion of construction and consequently the commencement of commercial operation, the Company recognized a decommissioning provision and subsequently updated at December 31, 2021, which amounted to US$4,163,766 (US$6,057,922 at December 31, 2020) related to the future obligation for dismantling costs of 62 wind turbines and associated civil works. The estimated costs include removal of cables, dismantling costs of substation, transmission lines and wind turbines. The Company estimates the present value of this obligation using a discount rate in Peruvian soles of 6.41%. If the change in the used discount rate increase/decrease +/- 1%, the impact of the decommission obligation would be lower/higher in US$539,911 and US$614,395 respectively. (US$828,551 and US$776,108 in 2020, respectively).

Lease of transmission lines -

The Company entered into an agreement with Red de Energía Perú S.A. (REP), in which REP will construct, operate and provide a power transmission services to the Company for 18 years from the commencement of operations. The installations will be transferred to the Company by the end of the contract term.

The financial lease over transmission lines at December 31, 2021 amounted to US$2,993,854 (US$3,236,869 at December 31, 2020). The Company estimated the fair value of the future discounted cash flow with a discount rate of 5.50%.

3.2 Critical judgments in applying the entity's accounting policies -

Determination of functional currency -

Management concluded the functional currency as the U.S. dollar based on the following: The Supply concession agreement signed by the Company and the Peruvian Government set an energy sale price in U.S. dollars which is adjusted periodically by a factor that includes the Finished Goods, less Food and Energy Index ("Food and Energy index - WPSSOP 3500") published by Labor Department of the U.S. Government. As of May 18, 2017, according to the addendum of the Supply Concession Contract, the index of Finished Products less Food and Energy of the United States was replaced ("Food and Energy Index - WPSFD4131"); most operating cost and investments are incurred in Peru but are mainly billed in U.S. dollars, borrowings are held in U.S. dollars; and capital contributions are made in U.S. dollars. Management has used its professional judgment to determine the functional currency and concluded that the currency that most faithfully represents the economic environment and conditions of the entity is the United States dollar.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors -

The Company's operations expose it to a variety of financial risks: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The most important aspects in risk management are the following:

a) Market risk -

i) Foreign exchange risk -

Foreign exchange risk exposure arises from exchange rate fluctuations denominated in currencies other than the U.S. dollar, the Company's functional currency.

The Company maintains assets and liabilities expressed in Peruvian soles (S/) detailed as follows:

	At December 31,	
	2021	2020
	S/	S/
Assets		
Cash and cash equivalents	6,469,972	1,029,289
Trade receivables	25,938,359	37,762,420
Other receivables (a)	11,707,950	7,065,119
	44,116,280	45,856,828
Liabilities		
Trade payables	(1,800,214)	(886,730)
Other current liabilities (b)	(1,254,753)	(1,148,845)
Decommissioning provision	(16,657,923)	(21,953,911)
	(19,712,890)	(23,989,486)
Net assets	24,403,391	21,867,342

(a) Mainly including income tax credit and temporary tax on net assets.

(b) Mainly including VAT payable.

Balances in foreign currency are converted to functional currency using the exchange rates published by the Peruvian banking regulator "Superintendencia de Banca, Seguros y AFP" (SBS). At December 31, 2021 the exchange rates used by the Company for recording its balances in foreign currency are US$0.252 and US$0.250 per S/1 for assets and liabilities, respectively (US$0.251 and US$0.250 per S/1 for assets and liabilities, respectively, at December 31, 2020).

In 2021, the Company recognized exchange gains for US$764,682 (US$629,595 in 2020) and exchange losses for US$1,163,177(US$1,517,286 in 2020), stated in Exchange differences, net in the statement of comprehensive income.

Management considers that a fluctuation of +/- 5% in the exchange rate would have the following effect on the Company's comprehensive income as follows:

	Increase/decrease in exchange rate	Effects on profit or loss before tax
		US$
2021	+5%	(308,572)
	-5%	308,572
2020	+5%	(302,969)
	-5%	302,969

ii) Price risk -

The Company is not exposed to the trade risks arising from changes in the prices used by competitors, because revenues and prices are assured by a 20-years term Supply Concession Agreement with Peruvian Government to provide power to the National Electric Power Grid. Prices are adjusted periodically by a factor that includes the Finished Goods less Food and Energy Index (WPSFD4131) published by Labor Department of the U.S. Government. No major changes are expected to have a negative effect in the foreseeable future.

iii) Interest rate risk -

The Company is not exposed to interest risk on its cash flows since all its financial assets and liabilities bear interest at fixed rates. The risk of fair value of financial assets and liabilities is disclosed in Note 4.3.

b) Credit risk -

The financial assets potentially exposed to credit risk concentrations primarily consist of bank deposits and trade accounts receivable. The assessment of the credit quality of financial assets can be performed on the basis of historical data on default rates of their counterparts:

	At December 31,	
	2021	2020
	US$	US$
Cash in banks and short-term bank deposits:		
- Rate A+	1,620,175	283,787
- Rate A3	1,182,526	32,008
	2,802,701	315,795

The rating “A” in the table above represents a high-quality credit rating. The rating was obtained from local and foreign risk rating agency Apoyo & Asociados Internacionales, local rating agencies are authorized by Superintendencia de Banca, Seguros y AFP.

Also, Management considers that the Company does not have significant credit risk on the accounts receivable because they have not had any non-compliance on payments from clients or large overdue accounts receivable historically.

The credit risk is limited to the carrying amount of financial assets at the date of the statement of financial position.

c) Liquidity risk -

Liquidity risk arises from the possibility that the Company may not be able to obtain the funds it requires to comply with its commitments under financial liabilities, including the inability to sell a financial asset at a price close to its fair value when cash is required. Management believes that the Company is capable of generating sufficient cash from operations in order to attend its obligations as they become due. In addition, the Company has accessed to adequate credit on reasonable terms from financial institutions.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	US$	US$	US$	US$	US$
At December 31, 2021					
Borrowings and interest payable	17,711,585	18,264,368	55,314,345	148,295,021	239,585,319
Trade payables and accruals	2,642,904	-	-	-	2,642,904
Lease liability	478,249	451,136	1,358,210	2,791,400	5,078,995
Decommissioning provision	-	-	-	11,223,747	11,223,747
Other current liabilities (1)	219,778	-	-	-	219,778
	21,052,516	18,715,504	56,672,555	162,310,168	258,750,743
At December 31, 2020					
Borrowings and interest payable	17,593,476	17,711,585	55,020,068	166,853,666	257,178,795
Trade payables and accruals	2,769,943	-	-	-	2,769,943
Other payables to related parties	9,683	-	-	-	9,683
Lease liability	471,038	471,817	1,336,506	3,202,068	5,481,429
Decommissioning provision	-	-	-	11,759,618	11,759,618
Other current liabilities (1)	214,762	-	-	-	214,762
	21,058,902	18,183,402	56,356,574	181,815,352	277,414,230

(1) Excluding tax liabilities.

4.2 Capital risk management -

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings plus finance lease obligation, less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

The gearing ratio was as follows:

	At December 31,	
	2021	2020
	US$	US$
Borrowings (Note 10)	161,491,014	168,211,015
Lease liability (Note 12)	3,828,128	4,125,127
Less cash and cash equivalents (Note 5)	(2,803,941)	(316,422)
Net debt	162,515,201	172,019,720
Equity attributable to shareholders	45,989,804	41,486,332
Total capital	208,505,005	213,506,052
Gearing ratio	0.78	0.81

4.3 Fair value estimation -

IFRS 13, "Fair value measurement" requires the entity to disclose the measurement of fair values according to the following hierarchical levels to measure fair value:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1).

- Inputs other than quoted prices within level 1 that are observable for assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or the liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Company does not have financial instruments valued at a fair value shown in the statement of financial position. However, for Company exposure purposes, the following criteria should be taken into consideration to determine the fair value of its financial instruments:

a) Financial instruments of which the fair value is similar to the carrying amount -

For financial assets and liabilities that are liquid or have short-term maturities (less than three months), such as cash and cash equivalents, receivables, payables and others current liabilities, is considered that the carrying amount is similar to the fair value.

b) Financial instruments at fixed rate -

The fair value of the financial liabilities that accrue fixed rates at amortized cost is determined comparing the market interest rates at the time of their initial recognition with the current markets rates related to similar financial instruments.

The fair value of long-term debt at December 31, 2021 and 2020 is disclosed in Note 10.

5 CASH AND CASH EQUIVALENTS

This item comprises:

	At December 31,	
	2021	2020
	US$	US$
Cash in hand	1,240	627
Cash at bank accounts	2,802,701	315,795
	2,803,941	316,422

Cash at bank accounts is held in local and foreign banks amounting to US$1,182,526 and S/6,465,312 at December 31, 2021 (US$32,009 and S/1,028,444 at December 31, 2020).

6 TRADE RECEIVABLES

This item comprises:

	At December 31,	
	2021	2020
	US$	US$
Unbilled accounts receivable	6,937,919	10,382,121
Invoices issued	37,775	337,944
Interest receivable (a)	516,559	297,914
	7,492,253	11,017,979

(a) Interest receivable comprises the interest generated by the unbilled account receivable in accordance with the COES Decree No.28544 which annual interest rate is 12%.

7 OTHER RECEIVABLES

This item comprises:

	At December 31,	
	2021	2020
	US$	US$
Restricted funds (a)	3,533,270	3,273,270
Payment on account of income tax (b)	2,933,588	2,073,452
	6,466,858	5,346,722

(a) The restricted funds comprise (i) Debt Service Reserve Account (DSRA) of US$1,341,743 at December 31, 2021 (US$1,341,743 at December 31, 2020) and (ii) Operation and Maintenance (O&M) Reserve Account of US$2,191,527 at December 31, 2021 (US$1,931,527 at December 31, 2020), established and maintained pursuant to the Collateral and Accounts Agreement.

(b) The balance at December 31, 2021 comprises payments on account of income accumulated at December 31, 2021 that will serve as a tax credit for future years. (The balance at December 31, 2020 comprises payments on account of income tax of year 2020 which was applied in the 2020 annual tax return made in April 2021).

8 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) The balances with related parties are summarized as follows:

	At December 31,	
	2021	2020
	US$	US$
Balances receivable from related parties -		
Other receivables - current:		
ContourGlobal Peru S.A.C.	56,056	61,733
	56,056	61,733
Loan receivable - Non-current:		
ContourGlobal Latam - Principal (a.1)	21,517,851	21,517,851
ContourGlobal Latam - Interest (a.1)	7,657,078	6,366,007
ContourGlobal Terra Holding S.á.r.l - Principal (a.2)	31,100,000	24,100,000
ContourGlobal Terra Holding S.á.r.l - Interest	3,592,561	1,938,821
	63,867,489	53,922,679
	63,923,545	53,984,412

	At December 31,	
	2021	2020
	US$	US$
Balances payable to related parties -		
ContourGlobal Do Brasil Holding Ltda	-	4,517
ContourGlobal Peru S.A.C.	-	5,166
	-	9,683

(a.1) Comprising loans granted to its affiliate ContourGlobal Latam that accrue interest at an annual rate of 6% and are composed as follows:

- Loan for US$9,049,647 with maturity date in December 2021. The interest receivable related to this loan amounts to US$3,128,451 (US$2,585,472 at December 31, 2020).
- Loan for US$10,000,000 with maturity date in November 2021. The interest receivable related to this loan amounts to US$3,935,835 (US$3,335,835 at December 31, 2020).
- Loan for US$2,468,204 with maturity date in July 2022. The interest receivable related to this loan amounts to US$592,792 (US$444,700 at December 31, 2020).

Even though the dates detailed above show the enforceability of the securities in the short term, Management and the related company have approved the extension for an additional 5 years at the same rate, which means that its presentation is given in non-current assets.

(a.2) During 2021, the Company granted ContourGlobal Terra Holding the following loans:

- Loan for US$3,000,000 granted on June 28, 2021 at an annual rate of 5% for a term of 10 years.
- Loan for US$4,000,000 granted on December 29, 2021 at an annual rate of 5% for a term of 10 years.

Also, it maintains the following loans granted in previous years and effective at December 31, 2021 and 2020:

- Loan for US$1,000,000 granted in June 2020 and US$6,400,000 granted in December 2020, both of them accrue interest at an annual rate of 5% for a term of 10 years.
- Loan for US$4,500,000 granted in June 2019 and US$5,000,000 granted in December 2019, both of them accrue interest at an annual rate of 7% for a term of 10 years.
- Loan for US$7,200,000 granted in December 2018, that accrues interest at an annual rate of 7.5% for a term of 10 years.

b) Major transactions with related parties comprise:

	At December 31,	
	2021	2020
	US$	US$
Transactions of statement of financial position:		
Loans granted to related parties	(7,000,000)	(7,400,000)
Income (expenses) with related parties:		
Financial income (Note 21)	2,944,810	2,528,662
Management services (Note 19)	(21,840)	(84,785)
Personnel services	-	(4,239)

The remuneration of key management which is comprised by the Chief Executive Officer for the years ended December 31, 2021 and 2020 amounted to US$86,983 and US$175,370 respectively. The remuneration to key management includes payments made up to the month of April since the Management position from that month onwards is assigned on a Corporate basis covering various issues in the region.

9 PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment and the corresponding accumulated depreciation for the years ended December 31, 2021 and 2020 are as follows:

	Land US$	Buildings US$	Work in progress US$	Right-of-use asset (IFRS 16) US$	Operating wind turbines US$	Computer equipment US$	Furniture and fixtures US$	Other Equipment US$	Decommi-ssioning obligation US$	Total US$
Year 2020:										
Opening net carrying amount at January 1, 2020	13,747	120,462	758,435	3,101,465	166,507,012	26,318	32,147	60,247	2,106,730	172,726,563
Additions (a)	-		3,217,466	691,823	-	13,546		49,828	1,632,107	5,604,770
Transfers	-	79,789	(3,640,589)	(10,578)	2,955,491	12,707	3,028	600,152	-	-
Disposal (b)	-	-	-	-	(1,615,017)	-	-	-	-	(1,615,017)
Depreciation expense(b)	-	(12,646)	-	(275,506)	(11,359,498)	(9,339)	(6,262)	(74,010)	(143,641)	(11,880,902)
Closing net carrying amount at December 31, 2020	13,747	187,605	335,312	3,507,204	156,487,988	43,232	28,913	636,217	3,595,196	164,835,414
Year 2021:										
Opening net carrying amount at January 1, 2020	13,747	187,605	335,312	3,507,204	156,487,988	43,232	28,913	636,217	3,595,196	164,835,414
Additions (a)	-		684,401	-	-	-		-	-	684,401
Transfers	-	102,843	(569,844)	-	112,661	-	91,968	262,372	-	-
Other changes (b)	-	-	-	(39,641)	-	-	-	-	(1,597,625)	(1,637,266)
Depreciation expense (b)	-	(14,976)	-	(314,287)	(11,450,829)	(13,803)	(9,405)	(78,781)	(146,164)	(12,028,243)
Closing net carrying amount at December 31, 2021	13,747	275,472	449,869	3,153,276	145,149,820	29,429	111,476	819,808	1,851,407	(151,854,306)

(a) Additions for 2021 mainly comprise the acquisition of the battery bank and other equipment for the Cupisnique wind farm amounting to US$214,883 and the construction of the Talara warehouse for US$95,660. Additions for 2020 mainly comprise the replacement of cells at the Talara and Cupisnique wind farms for US$1,642,342, acquisition of a transformer for US$1,215,907, additions to the right-of-use asset for US$691,823 related to the increase in the tariff of leasing of transmission lines and, lastly, the increase in decommissioning assets of US$1,632,107, as a result of the updating of flows and the discount rate.

(b) During 2021, as a result of the update of cash flows with a new discount rate of 6.41% (4.94% at December 31, 2020), a decrease in the decommissioning asset of US$1,597,625 is generated. During 2020, as a result of a thorough inspection and a maintenance plan, it was necessary to replace some medium voltage cells in order to improve the operation of the wind turbines; the replaced assets were acquired from Vestas Peru. The net cost of the disposal, which amounted to US$1,615,017, is shown in the statement of comprehensive income within “Other expenses”.

(c) Depreciation expense for the year ended December 31, 2021 amounting to US$12,028,243 (US$11,880,902 at December 31, 2020) is allocated in Operating costs (Note 18) in the statement of comprehensive income.

10 BORROWINGS AND INTEREST PAYABLE

At December 31, this item comprises:

	Maturity date	At December 31, 2021 US$	2020 US$
Corporate bond issuance	08/30/2034	165,839,893	173,199,107
Interest payable		359,320	375,265
Transaction costs		(4,708,199)	(5,363,357)
		161,491,014	168,211,015

The current and non-current portion are as follows:

	At December 31, 2021 US$	2020 US$
Current portion	7,656,576	7,079,223
Non-current portion	153,834,438	161,131,792
	161,491,014	168,211,015

The schedule for the payment of the non-current portion is as follows:

	At December 31, 2021 US$	2020 US$
Year		
2022	-	7,297,354
2023	8,389,698	8,389,698
From 2024 to 2034	145,444,740	145,444,740
	153,834,438	161,131,792

On December 15, 2014 the Company issued US$204 million at 6% senior secured green notes due ("the Inka Notes") (Note 1-d).

Transaction costs includes the offering discount amounting to US$3,378,240; the underwriting fee amounting to US$3,060,000 and other costs related to bonds issue amounting to US$3,335,603; less US$5,065,644 corresponding to the unwinding of the discount at December 31, 2021 (US$4,410,486 at December 31, 2020).

Interest payment dates: March 18, June 18, September 18 and December 18 in each year, starting on March 18, 2015, provided that, the final interest payment date shall be August 30, 2034. During 2021, the Company accrued interests amounting to US$10,218,317 (US$10,629,634 at December 31, 2020) (Note 20).

Principal payments: The Company repays the principal of the Notes on each interest payment date, starting on September 18, 2015 and the remaining principal balance on August 30, 2034. During 2021, the Company repaid the principal in the amount of US$7,359,214 (US$6,329,174 during 2020).

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount 2021 US$	2020 US$	Fair value 2021 US$	2020 US$
Corporate bonds issuance	153,834,438	161,131,792	141,188,967	159,520,282
	153,834,438	161,131,792	141,188,967	159,520,282

The fair values are based on cash flows discounted using an annual rate of 6.72% at December 31, 2021 (5.8% at December 31, 2020).

The reconciliation of the net debt and the cash flows from financing activities is as follows:

	Borrowings US$	Interest payable US$	Transaction cost US$	Total US$
At January 1, 2020	179,528,281	388,979	(6,046,713)	173,870,547
Cash flows	(6,329,174)	(10,463,348)	-	(16,972,522)
Non-cash movements	-	10,629,634	683,356	11,312,990
At December 31, 2020	173,199,107	375,265	(5,363,357)	168,211,015
Cash flows	(7,359,214)	(10,234,262)	-	(17,593,476)
Non-cash movements	-	10,218,317	655,158	10,873,475
At December 31, 2021	165,839,893	359,320	(4,708,199)	161,491,014

11 TRADE PAYABLES AND ACCRUALS

This item comprises:

	At December 31, 2021 US$	2020 US$
Payables to Vestas Peru	1,612,754	1,896,246
Other suppliers	1,030,150	873,697
	2,642,904	2,769,943

At December 31, 2021 and 2020 payables to Vestas Peru mainly comprise the invoices for Operation and Maintenance (O&M) services of the Cupisnique and Talara wind farms.

12 LEASE LIABILITY

This item comprises:

	At December 31, 2021 US$	2020 US$
Lease of transmission lines (a)	2,993,854	3,236,869
Lease of lands and offices	834,274	888,258
	3,828,128	4,125,127
Current portion	212,270	363,151
Non-current portion	3,615,858	3,761,976

The movement of the lease liability is as follows:

	2021 US$	2020 US$
Balance at January 1	4,125,127	3,662,114
Update of costs and discount rate (Note 9)	(39,641)	691,823
Present value update (Note 20)	208,214	233,231
Payments	(465,572)	(462,041)
Balance at December 31	3,828,128	4,125,127

The determination of the present value of the lease at December 31 is as follows:

	At December 31,	
	2021	2020
	US$	US$
Lease liability:		
Within one year	471,208	477,544
Between two and five years	2,144,864	2,126,580
After five years	2,020,986	2,745,759
Future interest	(808,930)	(1,224,757)
Present value of finance lease obligation	3,828,128	4,125,127

The future interest is calculated on the basis of the identified costs and is discounted at risk-free rate equivalent to 5.50% for transmission lines and for lands and offices.

(a) Lease of transmission lines -

The Company recognized the finance lease obligation under the agreement with Red de Energía Perú S.A. (REP), in which REP builds, operates and provides power transmission line services for 18 years starting on the commencement of operations date (August 30, 2014). An addendum was signed on March 2, 2015, which increased the annual fee to US$369,490 and extended the start-up deadline to April 13, 2015. Prices can be updated annually based on an update factor. The installations will be transferred to the Company by end of the contract term (Note 1-e).

Minimum monthly payments	US$	30,969
Increasing rate on loans	%	5.50
Present value of minimum payments at December 31, 2021	US$	2,993,854
Current portion of the transmission line lease	US$	212,270
Non-current portion	US$	2,781,584

13 DECOMMISSIONING PROVISIONS

At December 31, 2021 the Company recognized a provision amounting US$4,163,766 for dismantling costs related to 62 wind turbines, which 17 are located in Talara and 45 are located in Cupisnique wind farm (US$6,057,922 at December 31, 2020). The cost is expected to be disbursed at the end of the 20-years Supply Concession Agreement. The provision includes removal of cables, substation, transmission lines and wind turbines, as well as demolition and removal of the bases where the wind turbines are built only at ground level. These dismantling costs are calculated on the basis of the identified costs and are discounted at a risk-free rate equivalent to 6.41% (4.92% at December 31, 2020).

The movement of the decommissioning obligation at December 31, is as follows:

	2021	2020
	US$	US$
Balance at the beginning of the year	6,057,922	4,137,606
Changes due to provision update (a)	(1,597,625)	1,632,107
Present value update (Note 20)	299,613	292,944
Other movements	(596,144)	(4,735)
Balance at the end of the year	4,163,766	6,057,922

(a) The change in the provision is due to the fact that in 2021 the Company updated the discount rate used to calculate the provision to 6.41% (4.92% at December 31, 2020).

14 DEFERRED INCOME TAX

The movement in deferred income tax is as follows:

	At December 31, 2021 US$	At December 31, 2020 US$
Balance at the beginning of the year - liability	(10,889,481)	(7,020,074)
Profit or loss for the year (Note 16-b)	(2,807,913)	(3,869,407)
Balance at the end of the year - liability	(13,697,394)	(10,889,481)

Deferred tax liability relates to the following items:

	Opening balance US$	Profit or loss for the year US$	Final balance US$
Year 2021			
Deferred income tax assets -			
Vacation leave	43,289	4,228	47,517
Pre-operating expenses	648,790	(584,583)	64,207
Exchange difference	268,901	-	268,901
Decommissioning liability	1,830,001	90,036	1,920,037
Other provisions	25,393	92,259	117,652
Tax carry-forward losses	1,704,990	(370,821)	1,334,169
Provision for contingencies	-	180,197	180,197
	4,521,364	(558,684)	3,932,680
Deferred income tax liabilities -			
Borrowing costs	(1,117,429)	(145,752)	(1,263,181)
Exchange difference	(12,076,856)	(2,267,564)	(14,344,420)
Transaction costs	(1,052,849)	128,613	(924,236)
Depreciation exchange difference	(85,152)	(13,445)	(98,597)
Decommissioning asset	(1,078,559)	78,919	(999,640)
	(15,410,845)	(2,219,229)	(17,630,074)
Deferred income tax liability, net	(10,889,481)	(2,807,913)	(13,697,394)
Year 2020			
Deferred income tax assets -			
Vacations leave	28,433	14,856	43,289
Pre-operating expenses	1,230,528	(581,738)	648,790
Exchange difference	268,901	-	268,901
Decommissioning liability	1,192,727	637,274	1,830,001
Other provisions	195,004	(169,611)	25,393
Tax carry-forward losses	2,737,065	(1,032,075)	1,704,990
	5,652,658	(1,131,294)	4,521,364
Deferred income tax liabilities -			
Borrowing costs	(971,677)	(145,752)	(1,117,429)
Exchange difference	(9,810,311)	(2,266,545)	(12,076,856)
Transaction costs	(1,187,017)	134,168	(1,052,849)
Depreciation exchange difference	(71,707)	(13,445)	(85,152)
Decommissioning asset	(632,020)	(446,539)	(1,078,559)
	(12,672,732)	(2,738,113)	(15,410,845)
Deferred income tax liability, net	(7,020,074)	(3,869,407)	(10,889,481)

15 EQUITY

a) Capital social -

At December 31, 2021 and 2020 share capital comprises 110,096,557 fully subscribed and paid-in common shares at S/1.00 par value each.

At December 31, 2021 and 2020 the Company's capital structure is as follows:

Percentage of individual interest in capital	Number of shareholders	Total percentage
From 1.00 to 90.00	1	99.99
From 0.01 to 1.00	1	0.01
Total	2	100.00

At December 31, 2021 and 2020 ContourGlobal Latam S.A. owned 99.9% of Company's share capital and ContourGlobal Perú owned a class B share.

b) Accumulated losses -

At December 31, 2021 and 2020 the Company has incurred in accumulated losses amounting to US$287,708 and US$4,791,180, respectively.

16 TAX SITUATION

a) Tax stability agreement -

The Company signed the legal Stability Agreement with the Peruvian Government on September 22, 2014 by a term of 10 years expiring on September 22, 2024 which guarantees stability income tax treatment and stability in the regulations of the recruitment of workers.

The Company is entitled to comply, among others, with the following obligations: (i) to issue shares in benefit of ContourGlobal Latam for the amount of its contributions which amounted US$28,594,403; (ii) to register in Proinversión the contributions received; and (iii) to use these contributions to expand its productive capacity. Also, the Company assumes the obligation to certify that it has received the contribution due to the presentation of the legal documents in which the capital increase is recorded.

The Legal Stability Agreement will be automatically terminated if the Company default on its obligations mentioned in the paragraph above or if the Company transfers its contractual position. In case of termination, the Company shall reimburse to the Peruvian Government the actual tax amounts that would have accrued if this Legal Stability Agreement has not been signed plus any surcharges established by the Peruvian tax code.

The Company can only assign its rights and obligations under this Legal Stability Agreement with the prior consent of the Peruvian government.

The Legal Stability Agreement may be modified through mutual consent. However, the term of the agreement and the amount of capital contributions which shall be received (below to the minimum established by Peruvian law) are not subject to modification.

b) Income tax -

In accordance with tax regulation, income tax is calculated and paid in Peruvian soles. The enacted income tax rate was 30% for 2021 and 2020, since the Company has a Legal Stability Agreement.

The Company computed its taxable base for the year ended December 31, 2021 and determined that its income tax expense amounts to US$2,993,464 (losses of US$4,543,825 for the year ended December 31, 2020), which is broken down as follows:

	2021 US$	2020 US$
Current	(185,551)	(674,418)
Deferred (Note 14)	(2,807,913)	(3,869,407)
	(2,993,464)	(4,543,825)

The Company's Management considers that the income tax return has been determined according to the tax law in force during the year of signing the tax stability agreement. The Company applies the B system of loss carryforwards, which allows the application of tax loss carryforwards up to a maximum of 50% of the taxable income obtained in the year until the loss is exhausted.

Reconciliation of effective rates of income tax to the tax rate is as follows:

	2021 US$	%	2020 US$	%
Income before income tax	7,496,936	100.00	10,810,547	100.00
Income tax recorded at theoretical rate	(2,249,081)	(30.00)	(3,243,164)	(30.00)
Permanent differences	1,839,031	24.53	1,717,373	15.89
Exchange difference on fixed assets	(2,087,025)	(27.84)	(2,266,545)	(20.97)
Adjustment for exchange difference of tax loss	(387,198)	(5.16)	(433,390)	(4.01)
Other changes	(87,803)	(3.57)	(265,154)	(2.45)
Adjustment to income tax for the previous year	(21,389)	(0.29)	(52,945)	(0.49)
Income tax rate	(2,993,464)	(39,93)	(4,543,825)	(42.03)

Peruvian tax authorities have the power to review and, if necessary, amend the Income Tax determined by the Company in the last four years, from January 1 of the year following the filing date of the respective annual income tax returns. Income tax returns from 2017 to 2021 are pending examination by the Peruvian tax authorities. Management considers that no significant liabilities will arise from the pending examinations.

Due to possible interpretations that tax authorities may make on legal regulations in force, it is not possible to determine at present whether liabilities for the Company will result from future reviews, so that any eventual higher tax or charge that might result from fiscal reviews will be charged to the net income (loss) for the year in which they are determined. However, Management considers that no potential additional settlement of taxes would be significant for the financial statements at December 31, 2021 and 2020.

17 REVENUE

Revenue for the year ended December 31 comprise:

	2021 US$	2020 US$
Revenue from energy sales premium	29,346,407	38,994,734
Revenue from energy sales spot	8,141,169	5,184,585
Interest revenue premium	221,602	315,879
	37,709,178	44,495,198

18 OPERATING COST

Operating costs for the year ended December 31 comprise:

	2021 US$	2020 US$
Depreciation (Note 9)	12,028,243	11,880,902
Operating and maintenance	4,509,355	4,622,188
Personnel expenses	1,029,792	1,185,960
Interconnexion charges	461,332	726,799
Concession fees	392,985	407,572
Services received from third parties	351,280	325,242
Transmitting charges	229,761	241,783
	19,002,749	19,390,446

19 ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended December 31 comprise:

	2021 US$	2020 US$
Insurances	783,229	693,658
Taxes related to bond interest expense	483,081	530,407
Letter of credit fees	194,083	393,448
Services received from third parties	402,139	335,760
Security services	144,627	160,140
Internet services	102,202	109,926
Fines	11,220	20,884
Other tax expense	28,453	32,664
Management services (Note 8-b)	21,840	84,785
Amortization	10,047	9,846
	2,180,921	2,371,518

20 FINANCIAL EXPENSES

Financial expenses for the year ended December 31 comprise:

	2021 US$	2020 US$
Interest on borrowings (Note 10)	10,218,317	10,629,634
Amortization of transaction costs	655,158	683,356
Unwinding of discount - decommissioning (Note 13)	299,613	292,944
Unwinding of discount - lease liability	208,214	233,231
Penalties and interests	194,234	134,713
	11,575,536	11,973,878

21 FINANCIAL INCOME

Financial income for the year ended December 31 comprise:

	2021 US$	2020 US$
Interest on loans granted to related parties (Note 8-b)	2,944,810	2,528,662
Other financial income	652	25,237
	2,945,462	2,553,899

22 CONTINGENCIES

At December 31, 2021 the Company does not have material contingencies that require disclosure.

23 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Between December 31, 2021 and the date of approval of the financial statements, no significant subsequent events have occurred that are required to be disclosed in the notes to the financial statements.